



Foreign Agricultural Service

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## **Bosnia Herzegovina**

### **Trade Policy Monitoring**

### **Summary of Domestic Support for Agriculture**

## **2002**

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**Report Highlights:** This report highlights spending on domestic agricultural support in the two 'entities' that make up Bosnia Herzegovina.

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Vienna [AU1], BK

I. Government Support for Agricultural Production - the Federation

This year the **Federation of Bosnia and Herzegovina**<sup>1</sup> has allocated 54.9 million KM (\$27.18 million) or approximately 4% of the Entity's budget for primary agricultural production subsidies. This is nearly eight times more than in 2001. The package is composed of twenty-four various subsidies in the livestock sector (20 million KM or \$9.90 mil.), eleven for crop producers (8 million KM or \$3.96 mil.), and five subsidies for fruit producers (8 million KM or \$3.96 mil.). Furthermore, funds will be used to support scientific research as well as for subsidized interest rates for agricultural loans up to 30,000 KM (\$14,851). Part of those funds will also be used for paying off the debt left over from tobacco producers in 2001.

Nationally, through the end of September 2002, only 10.1 million KM (\$5 mil.) will be available under a standby arrangement with IMF. The funds will be distributed between 10 cantons according to their share of total agricultural production in the Federation. If one canton fails to disburse assigned funds, the funds will be assigned to another canton. Cantonal Ministries of Agriculture are also supposed to assist farmers in applying for financial support. Farmers can only apply for subsidies if they have clear a business plan, e.g. contracts with buyers. Payments will not be made in advance.

The decision on 2002 agricultural subsidies is a temporary one. However, the Ministry of Agriculture hopes that the e Government could soon decide to support agriculture with 4% of the Entity's budget every year.

The list of subsidies:

Livestock sector

Milk production — 0,14 KM/lit (\$0.07)

Breeding heifers — 500 KM/heifer (\$247.52)

Breeding sheep— 50 KM/sheep (\$24.75)

Breeding ram — 100 KM/ram (\$49.50)

Breeding goat — 50 KM/female goat (\$24.75), 100 KM/male goat (\$49.50);

Stallions — 1.000 KM/horse (\$495.05)

Suckling pigs and boars — 100 KM (\$49.50)

Chicken (parent lines) minimum 2000 pieces, 2 KM/piece (\$0.99)

18-weeks layers minimum 2000 pieces, 1,5 KM/piece (\$0.74)

Young fish, minimum 1.000 kg/year, 20 pieces/kg, 2 KM/kg (\$0.99)

Queen bees, minimum 300 queen bees/year, 10 KM/queen bee (\$4.95)

Honey production, minimum 20 beehives, 10 KM/beehive (\$4.95)

Cattle fattening, minimum 5 animals and 300kg/animal, 0,70 KM/kg of live weight (\$0.35)

Lamb fattening minimum 15 kg and 30 kg/animal, 0,50 KM/ kg of live weight (\$0.25)

Pig fattening minimum 15 animals and 100 kg/animal, 0,40 KM/kg of live weight (\$0.20)

Animal identification (cattle) — 45 KM/animal (\$22.28), sheep, goats and pigs 20 KM/animal (\$9.90) and horses 100 KM/animal (\$49.50)

Artificial insemination of cattle, 20 KM/pregnancy (\$9.90).

Plant production

Seed wheat, barley and ray - 0,10 KM/kg (\$0.05)

Seed potato - 0,27 KM/kg (\$0.13)

Alfalfa and Lotus corniculatus L. - 2 KM/kg (\$0.99)

Raw tobacco leaves - 0,90 KM/kg (\$0.44)

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<sup>1</sup> According to the Dayton Peace Agreement signed in December 1995, Bosnia and Herzegovina (BiH) is divided into two Entities: the Federation of Bosnia and Herzegovina (F BiH) and Republika Srpska (RS). There is also the Brcko District with a special administrative status. Understanding this dual governmental structure is important to understanding agricultural policy in the country.

Mercantile wheat and corn - 50KM/t (\$24.75), barley - 60 KM/t (\$29.70), ray - 70 KM/t (\$34.65)

#### Vegetable and fruit production

Vegetable (cucumbers, peppers, tomato, onion, beans, carrots, beets) - 0,10/kg (\$0.05)

Vineyards and orchards - 2.500 KM/ha (\$1237.62)

Nurseries - 25.000 KM/ha (\$12,376.23).

### II. Government Support for Agricultural Production - Republika Srpska

The Government of **Republika Srpska** also decided to double agricultural subsidies using 4% of its budget or approximately 35 million KM (\$17.33 mil.). Detailed regulations are to be published. The production of the following crops will be subsidized: tobacco, soybean, seed soybean, wheat, corn and potato, fodder, medicinal herbs, berry fruit. Scientific research in cattle breeding and fighting against corn pests will also be funded.

### III. Farmer Debt a Widespread Issue

Only the farmers that have settled their previous obligations towards the Entity's Ministries of Agriculture can apply for subsidies. Numerous foreign donors have invested around 150 million KM (\$74,26 mil.) in the agricultural sector but mostly in the Federation of BiH. Those funds were revolving funds and should have been paid back and used for additional projects in the agricultural sector. Although the terms of loans were favorable (e.g. 5 years total, 1 year grace period, 2% interest), the repayment rate has only been 15% so far. The number of farmers in debt is huge given the fact that most of them took only one cow and never repaid the loan. The farmers had expected that their debts would be written off but this appears unlikely to happen.

### IV. Comment

The subsidy programs are aim to help BiH farmers to start or to improve already existing production.

There are many people in BiH involved in agriculture but most of them are small farmers that produce food for their own needs. Surpluses, if any, are sold on the local outdoor market. However, small farmers are losing the battle against low market prices and they often cannot cover production costs. Therefore, it is expected that some small farmers will decide to begin producing commercially and work to increase their productivity and to explore/develop alternate sales channels. If farmers want to get subsidies, they will have to plan their production and to make prior arrangements with buyers. Good results are expected for fruit production subsidies due to the natural and market conditions.

Exchange Rate: 09/20/2002      \$1,00 = 2,02 KM (convertible mark)